

1 KeySpan system. In particular, the analysis showed the need to procure city-gate  
2 capacity that could satisfy the following requirements:

- 3 (1) provide increased supply and delivery capacity to Cape Cod beginning in the  
4 peak season 2001-02;
- 5 (2) guarantee a minimum delivery pressure of 270 psig at the Sagamore and  
6 Bourne take stations;
- 7 (3) provide a cost-effective solution to the need for G Lateral upgrades;
- 8 (4) meet the peak-day capacity needs of the Boston Gas service area beginning in  
9 2003-04;

10 **Q. Given these requirements, what specific issues needed to be considered in**  
11 **identifying city-gate capacity alternatives?**

12 A. Given these requirements, the Company's procurement alternatives were substantially  
13 limited. First, the Company faces a critical need to procure city-gate capacity that  
14 will provide increased primary firm deliverability to the Bourne and Sagamore take  
15 stations in the Cape Cod service area, which are fed solely by the Algonquin  
16 G Lateral pipeline facilities. However, additional deliverability to Cape Cod cannot  
17 be achieved without significant upgrades and reinforcement to Algonquin's existing  
18 G Lateral. In addition, in order to provide adequate supply to Cape Cod over the long  
19 term, KeySpan requires guaranteed minimum delivery pressures of 270 psig at the  
20 Bourne and Sagamore take stations.

21 Second, in addition to the unique resource issues associated with the Cape Cod  
22 distribution system, the Company recognized that it was facing constraints with respect  
23 to maximum hourly flow restrictions on the Algonquin pipeline system serving the

1 Boston Gas service area. During the past several winter seasons, Algonquin has  
2 imposed operational flow restrictions on an hourly basis on the Company as a result of  
3 pipeline-capacity constraints on the Algonquin system, which has the effect of  
4 substantially reducing the operating flexibility that the Company requires to deliver  
5 supplies across the KeySpan system. To preserve the level of flexibility needed within  
6 the portfolio to meet customer requirements, the Company determined that it would  
7 need to enhance its hourly take capabilities through the addition of pipeline-capacity  
8 rights.

9 **Q. Did the Company evaluate the increased use of LNG to meet the identified need**  
10 **in the Cape Cod service area rather than committing to a pipeline alternative?**

11 A. Yes. As discussed in the testimony of Mr. Poe, the Company performed an analysis  
12 of its incremental peak-day and peak-season needs in order to determine whether the  
13 supply and reliability needs of the Cape Cod system could be met with additional  
14 purchases of LNG (whether vaporized through the existing South Yarmouth LNG  
15 facility or with the addition of the small satellite facility on the eastern end of Cape  
16 Cod). This analysis takes into account the fact that, to meet customer requirements  
17 on the peak day, the Company must have: (1) sufficient transportation capacity to  
18 ensure deliveries to the Company's city gates; and (2) access to sufficient gas supply  
19 to meet customer demands. Since LNG vapor is delivered to the Company's gate  
20 stations via the pipeline system, the Company would be subject to the same capacity  
21 constraints in transporting LNG vapor to its interconnections with the Algonquin